ITT's Chile Caper

A 'Good Corporate Citizen' Or Economic Imperialist?

By Stanley Karnow
Washington Post Staff Writer

3/27/72

The standard leftist stereotype of the multi-national U.S. company engaged in aggressive economic "imperialism" abroad has always seemed fanciful or, at best, anachronistic. But judging from a collection of secret documents that surfaced last week, the International Telephone and Telegraph Corp! in fact fits that image as it sought to control events in Chile nearly two years ago.

The documents, acquired by columnist Jack Anderson and made available to the press, comprise 26 confidential ITT memoranda describing the firm's efforts to block the inauguration in late 1970 of Chilean President Salvador Allende Gossens, an avowed Marxist who pledged to nationalize U.S. holdings in his country.

Anderson claims that he obtained copies of the documents even though ITT's Washington office destroyed many of its files.

The memoranda show that ITT operatives in South America as well as corporation executives in Washington and New York considered tactics for promoting and financing a right-wing military coup d'etat aimed at ousting Allende.

This plan, the papers reveal, was recommended to a senior ITT representative by a high-ranking member of the U.S. Central Intelligence Agency in charge of clandestine operations in Latin America.

The corporation also tried to enlist the support of top American officials, among them President Nixon's national security adviser, Henry A. Kissinger, Assistant Sec-

See ITT, A14, Col. 1

ITT, From A1

retary of State for Inter-American Affairs Charles A. Meyer, and Edward M. Korry, then the U.S. Ambassador to Chile.

Neither Kissinger nor Korry has commented on the affair. In an interview with The Washington Post, Meyer said that he had talked with ITT representatives in the past but the company's activities "were unknown to me."

Speaking to a closed session of the Senate Foreign Relations Committee on Wednesday, Secretary of State William P. Rogers denied that ITT maneuvers had influenced administration attitudes toward Chile. The administration had not acted in a "wrongful manner" in Chile, Rogers said.

State Department spokesman Charles Bray further underlined Rogers' statement on Thursday, saying that, "any ideas of thwarting the Chilean constitutional processes following the election of 1970 were firmly rejected by the administration."

The ITT documents also make clear that the company's attempts to mobilize the administration against Allende were a failure. This failure is relected in bitterly critical evaluations by ITT executives of Meyer and Korry for their refusal to cooperate with the corporation's efforts to intervene in the Chilean political situation.

The Senate Foreign Relations Committee has nevertheless decided on a detailed investigation into the involvements of American corporations abroad. Ascertaining the extent to which ITT's alleged political machinations are typical of U.S. corporate practices abroad would be a prime objective of the ivestigation.

Better Coordinated

In the opinion of Prof. Louis Wells, a Harvard Business School specialist on international corporations, ITT is an exceptional, rather than typical, example of the global U.S. conglomerate.

According to Wells, most American firms operating abroad are so diversified geographically that their activities are not highly organized. They try to sway local U.S. diplomatic officials, Wells suggests, but they generally function by "rule of thumb" without central direction.

What makes ITT different from most U.S. companies, Wells says, is that it has "long experience and heavy commitment overseas," and is thus "possibly better coordinated" to engage n organized political activities abroad.

With worldwide assets of $6.6 billion. ITT ranks eighth in Fortune magazine's list of major U.S. industrial giants. Its subsidiaries include such companies as the Sheraton hotel chain and a number of foreign firms. Its holdings in Chile consisted of six affiliates employing about 8,000 workers.

The largest of these, the Chile Telephone Co., began operating in 1930 under a 50-year concession. The Chilean government took it over in September 1970, and ITT, which valued the firm at $153 million, is negotiating for compensation of $108 million, its 70 per cent own-

ership share. The corporation still runs two Sheraton hotels and a telecommunications company in Chile.

Current pronouncements by its spokesen assert that "ITT has been and continues to be — a good corporate citizen in Chile as well as in all other countries where it has operations." The ITT documents ndicate, however, that the conglomerate's executives were extremely upset by the Allende election even to the point of planning extraordinary measures.

Concedes Defeat

A well-to-do doctor in his early 60s, Allende pledged during his campaign to succeed President Eduardo Frei that he would nationalize most U.S. companies in Chile. In addition to ITT's holdings, these included American copper interests valued a $300 million, as well as banks and other business.

Allende won a plurality in the election held on Sept. 4, 1970. He then faced a run-off in the Chilean Congress against his two main foes, conservative Jorge Alessandri and Christian Democrat Radomiro Tomic. Under Chilean law, Frei was barred from succeeding himself.

As the Anderson documents illustrate, it was during the period between the Sept. 5 election and the run-off on Oct. 24 that ITT was most active in its efforts to prevent Allende from taking office. By the time of Allende's inauguration on Nov. 4, the corporation had virtually conceded defeat.

Chronologically arranged, the available documents present the following picture of ITT's endeavors to bring its weight to bear on the Chilean situation.

In a memorandum sent on Sept. 14, 1970, to William R. Merriam, vice-president in charge of ITT's Washington office, a corporation operative by the name of J. D. Neal reported on a conversation he had the previous Friday with Viron Vaky, a Latin American expert on Kissinger's staff. Vaky now teaches at Georgetown University.

Neal said that he told Vaky of the "deep concern" of Harold S. Geneen, president and board chairman of ITT, with the Chilean situation "not only from the standpoint of our heavy investment but also busine of the threat to the entire hemisphere."

Financial Aid

The ITT operative, according to the memorandum, further told Vaky that he was aware of a plan advanced by Edward M. Korry, the U.S. Ambassador in Chile. Under this plan, moves would be made to help Alessandri win the run-off in Congress so that he would resign in favor of Frei. Neal also referred to "rumors of moves by the Chilean military."

When Vaky replied that the Chilean situation was a "real tough one" for the United States, the memorandum states, Neal voiced the hope that the White House, the State Department and other executive branches would "take a neutral position or not discourage" attempts to "save the situation."

Neal then asked Vaky to tell Kissinger that ITT President Geneen was willing to come to Washington to discuss the corporation's interest, adding that "we are prepared to assist financially in sums up to seven figures."

It is not clear from the memorandum whether this offer of million-dollar assistance refers to an input into the Chilean situation or represents a domestic political contribution.

Neal went on to advise Vaky that ITT has long "feared the Allende victory" and had been "trying unsuccessfully to get other American companies aroused over the fate of their investments, and join us in pre-election efforts."

According to the document, Vaky promised to pass Neal's message along to Kissinger and "offered to keep us informed."

Told Mitchell

The following day, Neal reported in the same memo he telephoned Assistant Secretary of State Charles A. Meyer, referring to him as "Chuck," a nickname Meyer detests. Here again, Neal apparently got a brush-off.

As his report to Merriam discloses, Meyer tactfully advised him that the State Department was "watching the situation as closely as possible" and was awaiting the outcome of the run-off in the Chilean Congress.

Neal said Meyer told him that the Chileans themselves "are becoming quite concerned" and that "even the labor unions see a disadvantage in Allende." According to Neal, Meyer further said that "this is a Chile problem" and that the Chileans have "done a good job in 'screwing-up their own dessert.'"

Evidently undaunted by this lack of cooperation, Neal reported that he went to a wedding reception at the Korean Embassy that evening in hopes of buttonholing Secretary of State Rogers or Under Secretary U. Alexis Johnson.

Neither man was there, but Neal ran into then Attorney General John N. Mitchell and mentioned the Chilean problem to him. Mitchell answered that he had recently seen Geneen and could "understand" his concern over ITT's investments in Chile. According to the memo Mitchell said nothing more on the subject.

A memorandum on Sept. 17 addressed to ITT senior Vice President E. J. Gerrity was signed by two of the corporation's field operatives—Robert Berrellez, a long-time Associated Press reporter in Latin America now based in Buenos Aires for the company, and Hal Hendrix, a former Scripps-Howard correspondent in the area who currently operates for ITT out of New York and Miami.

'Big Push'

Stamped "Personal and Confidential," the document bears a notation by ITT's Washington Vice President Merriam: "This should be tightly held."

The eight-page memorandum reported that Ambassador Korry had on Sept. 15 "received a message from State Department giving him the green light to move in the name of President Nixon." The ITT memorandum said that the message gave Korry "maximum authority to do all possible—short of a Dominican Republic-type action—to keep Allende from taking power."

Precisely what Korry had

been instructed to do is not clear from the memo. Its context suggests, however, that a "big push" was under way to persuade the Chilean Congress to select Alessandri, who would then resign to permit Eduardo Frei to run in a new election. Or as the memorandum put it:

"At this stage the key to whether we have a solution or a disaster is Frei—and how much pressure the U.S. and the anti-Communist movement in Chile can bring to bear upon him in the next couple of weeks."

Assessing the situation in Chile, the ITT memo asserted that Allende was being directed by the Chilean Communist Party whose "strategy is coordinated" by the Soviet Union. The report also forecast that "some degree of bloodshed seem inevitable" if the "Alessandri Formula" favored by ITT succeeded.

In the event of violence, the two ITT operatives wrote, the Chilean army and national police "have the capability." Moreover, they added, "we know that the army has been assured full material and financial assistance by the U.S. military establishment."

Frei Was Key

This estimate of the Chilean army, the memorandum said, conflicted with Korry's opinion of the country's forces as a "bunch of toy soldiers." The ITT document nevertheless gave Korry high marks for his political conduct.

On the one hand, it reported, Korry was keeping up the pressure on the reluctant Frei to engage himself "to the point of telling him to 'put his pants on'."

Calculating that the anti-Allende effort "more than likely will require some outside financial support," Berrellez and Hendrix reported, "We have pledged our support if needed."

The two ITT operatives also reported in the memo on a meeting they had with one Arturo Matte, a figure whose advice they presumably considered important. Matte told them, they said, that the Chilean armed forces commander Rene Schneider was "fully aware" of the danger from Allende but hesitant to act.

But retired general Roberto Viaux, they went on, "is all gung-ho about moving immediately." Schneider, however, had threatened to have Viaux shot "if he moves unilaterally."

According to Berrellez and Hendrix, Matte emphasized that Frei was the key, but that he would not budge unless he was confronted by "a constitutional threat." Concluding the report on their talk with Matte, the two ITT operatives wrote:

Bring Pressure

"That threat must be provided one way or another through provocation. At the same time, a subtle but firm enough pressure must be brought to bear on Frei so that he'll respond.

"Matte did not mention money or any other needs. At the end, when it was mentioned that we were, as always, ready to contribute with what was necessary, he said we would be advised."

In a final section of the memorandum, the two ITT representatives offered some recommendations for actions "apart from direct assistance" that could be undertaken to fight Allende.

Among other things, they proposed that ITT and other U.S. corporations in Chile "pump some advertising" into a chain of newspapers opposed to Allende, "help with getting some propagandists working again on radio and television" and "bring what pressure we can" on the U.S. Information Service to distribute anti-Allende editorials throughout Latin America and Europe.

On Sept. 21, Washington operative Neal sent a brief memorandum to ITT Vice-President Merriam praising the report by Berrellez and Hendrix, and added a few remarks. Neal reported having advised John Fisher, then head of a State Department office formerly called the Bureau of Andean and Pacific Affairs, that "we are ready to see anyone or do anything possible."

According to Neal, Fisher replied that he "understood our concern."

The next day, ITT Vice-President Gerrity sent a short cable to Geneen, the company president, who was apparently in Europe at the time. The cable suggested that the "strategy" recommended in the memorandum by Berrellez and Hendrix "is the best course to be followed."

More mysteriously, the message said that Merriam reviewed the actions being taken that day "with the man you introduced him

Associated Press

Boarding an Air Force jet at Andrews for the flight to Denver are Judiciary Committee members Marlow Cook (R-Ky.), left, Quentin Burdick (D-N.D.) and Edward Kennedy (D-Mass.). They attended Mrs. Beard's bedside testimony.

some months ago." The man, cited only as Merriam's "contact," was reported as having suggested that "all possible pressures be exerted."

On Sept. 29, Gerrity sent a longer telex message to Geneen, who was still in Europe. Gerrity reported that he had been visited by the mysterious individual referred to in his Sept. 22 cable. The indidivual was plainly known to Geneen, because Gerrity described him as "the man you met with Merriam some weeks ago."

This anonymous "representative," as Gerrity termed him, put forth a plan that would cripple the Chilean economy, ignite social unrest and head the army the pretext to take over. Stating that he did "not necessarily agree" with the project, Gerrity outlined it for Geneen.

Among other points, the project required that banks delay or not renew credits, that companies "drag their feet" in sending money, making deliveries and shipping spare parts, that savings and loan companies be closed and that corporations either shut their doors or withdraw their technical employees and refuse future technical assistance to the country.

Gerrity's reservations about this plan for "inducting economic collapse," as he called it, were based on his doubt that other key corportatins in Chile would follow it. He told Geneen that he advised the unnamed "visitor" that "we would do everything to help." But, he added, "I pointed out in detail the problems we would have."

Be Discreet

An internal memo from Gerrity to other ITT executives in Washington the next day revealed the mysterious 'representative" to have been William V. Brow, then director of the Cia's Latin American division of Clandestine Services.

The memo, dated Sept. 30, also disclosed that Geneen agreed with Gerrity that Brow's suggestions "are not workable." Geneen futher recommended, according to the document, that "we be very discreet in handling Broe."

The Gerrity memo also pointed out that other top CIAmen were not entirely enthusiastic about the Broe proposal for an economic catastrophe.

His memo said that Gregorio Amunategui, a representative of Alessandri, had advised Enno Hobbing of the CIA that the best policy at the moment was "keep cool, don't rock the boat, we are making progress,"

Hobbing, a former Life editor who has worked intermittently for the CIA for years, transmitted this counsel to Jack Guilfoyle, an ITT employee in Washington. "This is in direct contrast to what Broe recommended," wrote Gerrity.

In Latin America, meanwhile, ITT's operatives were apparently becoming increasingly worried that nothing was being done in Chile to stop Allende from winning the endorsement of the Chilean Congress on Oct. 24. This is mirrored in a report telephoned by Berrellez in Buenos Aires to Hendrix in New York on Sept. 29.

Hedge Against Losses

"A more realistic hope among those who want to block Allende," said Berrellez, "is that swiftly deteriorating economy . . . will touch off a wave of violence, resulting in a military coup."

Apparent in the Berrellez report, however, was this disappointment with the progress of the scheme to undermine the economy and trigger a military coup.

For one thing, he said, Frei was not taking a firm position but "has been double-dealing to preserve his own stature and image as the champion of Latin American democracy." In addition, Berrellez reported, "some businessmen who seemed all gung-ho about stopping Allende are now talking in terms of trying to make deals with him."

Berrellez said that some Chilean businessmen advised ITT to "deal in some manner with Allende in an effort to resolve at least a portion of our investment instead of losing it all."

Evidently as a hedge against future possibilites, Berrellez emphasized, "Every care should be exercised to insure that we are not—repeat not—identified openly with any anti-Allende move."

While admitting to pessimism, Berrellez concluded by saying that efforts to provoke violence and bring on military intervention were continuing.

Santiago Burns'

In Washington, meanwhile, signs of ITT's disappointment with the Chilean situation were mirrored in the growing dissatisfaction of the corporation's memo—writers with White House inertia.

On Sept. 30, for example, Neal sent a memorandum to Merriam entitled "Chile—A Questionable U.S. Policy," in which he pointed out that American aid had been designed to undercut Marxism but that the fight was being abandoned "now that the battle is in the home stretch and the enemy is more clearly identifiable."

A similar tone of disappointment pervades an Oct. 7 memo from Merriam to Gerrity saying that "everyone foresees an Allende victory in Congress unless some last minute miracle takes place."

The Merriam memo betrays a hint of hostility toward the State Department that would later become bitter: "Assistant Secretary of State Meyer leaves tomorrow for a week in Haiti and Santo Domingo (while Santiago burns)!"

Two days later, on Oct. 9, Merriam sent a long memo to John McCone, former head of the CIA and now a member of the ITT board of directors. The memorandum, essentially a synopsis of the Chilean situation, contained no indications that Merriam was striving to persuade McCone to use his influence to obtain CIA help for ITT's cause.

Merriam disclosed, however, that he had lunched at the CIA headquarters in McLean, Va., that day and had learned that unsuccessful "approaches continue to be made to select members of the [Chilean] armed forces in an attempt to have them lead some sort of uprising."

The ITT vice-president also told McCone that "prac-

tically no progress has been made in trying to get American business to cooperate in some way as to bring on economic chaos" in Chile.

He revealed that General Motors and Ford "say that they have too much inventory on hand in Chile to take any chances, and that they keep hoping that everything will work out all right." Merriam said that the Bank of America had agreed to close its office "but each day keeps postponing the inevitable."

On Oct. 15, Neal wrote a memo on a talk he had that morning with Korry, who was then back in Washington for consultations. Korry told him, Neal said, that he had reduced U.S. "pipeline" aid to Chile as much as possible but was having difficulty convincing the administration to cut "every possible assistance" to the country.

Neal reported that Korry, seeking to see Geneen, advised the ITT president to relay "any ideas about U.S. policy toward Allende's government" to the White House "immediately."

On Oct. 16, ITT's Latin American operative Hendrix reported to Gerrity that Gen. Viaux had been primed to launch a coup a week earlier but received word from Washington to "hold back," As Hendrix put it:

"It was felt that he was not adequately prepared, his timing was off and he should 'cool' for a later, unspecified date. Emissaries pointed out to him that if he moved prematurely and lost, his defeat would be tantamount to a 'Bay of Pigs in Chile.'

CIA Swarm

"As part of the persuasion to delay, Viaux was given oral assurances he would receive material assistance and support from the U.S. and others for a later maneuver."

Hendrix did not identify the emissaries to Viaux. However, he said that Allende "obviously must be aware of this sort of plotting,' and quoted the Chilean leader as noting that Chile "was now swarming with CAI agents."

By Oct. 20, as a confidential memorandum from Gerrity to Geneen shows, the ITT hierarchy was looking for new alternatives.

Gerrity spoke of invoking the Hickenlooper Amendment, which calls for cutting aid to countries that nationalize U.S. firms without compensation. He also demanded that the State Department "be pinned down on the record" to demonstrate that it "has been absolutely wrong on the outcome in Chile, as other government agencies have."

The Gerrity memo urged that ITT executives present the corporation's case to President Nixon, Secretary Rogers and "our friends in Congress." Said Gerrity, "Freedom is dying in Chile and what it means to Latin America and to us—to free men everywhere—is not pleasant to contemplate."

Gerrity also sent a letter to McCone on Oct. 20 suggesting that Gen. Viaux might still stage a coup against the lame-duck President Frei before Allende's inauguration on Nov. 4. The ITT executive informed McCone of rifts between Korry and the State Department.

Approach Mansfield

Contending that the ambassador "deals now directly" with the White House, Gerrity daid that "the word among Korry's colleagues is that Charles Meyer and his deputy, John Crimmons, are determined to get Korry out of Chile—and out of the Department if possible."

On Oct. 22, the Chilean commander-in-chief Gen. Rene Schneider was assassinated, presumably for resisting pressure to oppose Allende. Viaux was implicated in the plot and arrested. The same day, Merrian advised Gerrity that the time had come for congressional action in Washington.

Merriam reported that a 62.9 billion Inter-American Bank appropriation bill was awaiting Senate approval, and he said that he and colleagues planned to approach Senate Majority Leader Mike Mansfield of Montana and Republican leader Hugh Scott of Pennsylvania "to see if they will just (forget) to take up the bill."

The head of ITT's Washington office also said he was contemplating "what other pressures we can drum up to make the State Department stiffen its attitude." He suggested that ITT President Geneen telephone directly to Assistant Secretary Meyer.

In an attached "Reappraisal of Our Latin American Policy," Merriam said that he did "not visualize retaliation or vengence as part of our policy." He urged, however, that "every possible pressure which might keep Dr. allende within bounds" be applied, including "a stoppage of all loans by international banks and U.S. private banks" if confiscated American holdings in Chile were not compensated.

Merriam sent a copy of this program to Kissinger on Oct. 23 and asked for the presidential adviser's comments. It took Kissinger more than two weeks to reply with a brief brush-off saying that he had read it "carefully" and passed it on to his Latin American specialists. Apparently still hopeful Gerrity sent the Kissinger note to Geneen with the comment: "Believe this is more than perfunctory."

'Male Martha Mitchell'

Nearly a week after the Chilean Congress voted Allende into office, ITT's apparent quest for scapegoats focused first on Meyer. In a mem to Gerrity on Oct. 30, Hendrix wrote that Meyer "ranks very high as the weakest Assistant Secretary in recent times—at least during my 22 years of association with the area."

Accusing Meyer of showing "an enormous lack of imagination," Hendrix said that he and his deputy, John Crimmons, "jointly led the effort to make certain that the U.S. this time did nothing with respect to the Chilean election."

Hendrix and Berrellez followed this appraisal of Meyer with written assaults against Korry. Berrellez called Korry "a sort of male Martha Mitchell" who "blew his composure with the U.S. news media. He also charged Korry with having become "blindly enamored" of Frei, and thus "his political evaluation suffered accordingly."

Hendrix added that he felt "fairly certain" from Korry's comments that "he is trolling for a position with ITT when he gets bounced by State." Korry, a

former Look magazine correspondent, is now with the Overseas Private Investment Corp., the U.S. government's private development loan guarantee organization which now has millions of dollars in claims against it for the U.S. copper interests expropriated by Allende.

In Chile, meanwhile, the documents linking ITT and the CIA are now proving to be a boon to the Allende government. Among other things, government media are associating ITT and the CIA with the Schneider assasination. Gen Viaux and 24 others arrested and convicted in the assassination plot are still awaiting sentencing.

The revelations are unlikely to help ITT in its efforts to gain compensations for its Chilean holdings.

Discussing the possible repercussions the corporation's political activities might have, ITT Vice President Merriam expressed an awareness of the risks but tended to discount them. In a memo on Oct. 22, 1970, he wrote:

"I, personally, feel that we don't have much to lose one way or the other, unless, of course, our so-called 'pressures' come back to haunt us in other Latin American countries. This I also doubt."

From left: Gen. Roberto Viaux, held back by Washington; Chilean President Salvadore Allende; former Ambassador

Return

to Chile Edward M. Korry; Assistant Secretary of State for Inter-American Affairs Charles Meyer; Harold Geneen, president and board chairman of ITT; William Merriam, head of ITT's Washington office, and Rene Schneider, com-

mander-in-chief of Chile's military who was assassinated. Viaux was implicated in the killing and arrested.